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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

December 11, 1992

His Excellency
Li Lanqing
Minister of Foreign Economic
Relations and Trade
Beijing, China

Dear Mr. Minister:

I am proud to have the opportunity to resume the U.S.-China Joint Commission on Commerce and Trade (JCCT). In the past year, we have faced and overcome serious challenges to our trade relationship on several critical fronts through dialogue and engagement. In spite of our difficulties, we have been able to achieve progress on trade and other fronts.

I am very pleased that the United States and China were able to conclude agreements on market access, IPR, and prison labor. These agreements represent three milestones in our relationship and make the present an optimal time to reconvene the JCCT.

The resumption of the JCCT highlights that there has been progress in our relationship. It also underscores the importance we attach to continued dialogue and close cooperation between our countries. The JCCT is a natural forum for continuing progress on trade and investment issues and maintaining the momentum of recent successes.

Continued dialogue and close cooperation will be crucial to the success of the market access, IPR, and prison labor agreements. Full implementation of these agreements will demonstrate to U.S. business interests, the U.S. Congress, and the next Administration that China is committed to addressing our trade concerns and to strengthening economic and commercial ties.

In spite of these recent positive developments, we remain concerned about the large and growing trade deficit. Our trade deficit for the first nine months of 1992 alone exceeded our total imbalance for 1991, which reached an historic high of \$12.7 billion, second only to that with Japan. While we will be looking to the market access and IPR agreements and new opportunities resulting from China's policies of economic reform to redress our trade imbalance, we will also be looking for progress in other areas. We are particularly interested in seeing business conditions in China improved and increased liberalization in the service sectors to allow for increased U.S. participation.

The JCCT has been a very constructive forum for resolving differences and exchanging views on a wide range of issues at the heart of our economic and trade relationship. I am looking forward to the upcoming session of the JCCT to discuss a variety of trade and investment issues of concern to both China and the U.S. While we hope to include a summary of discussions held by our experts in Geneva December 9-11 on China's accession to the GATT, we do not consider the JCCT to be an appropriate forum for negotiations on China's GATT accession or for bilateral tariff negotiations. The U.S. Government will staunchly support China's accession to the GATT and will work constructively with your government and the GATT contracting parties to seek acceptable terms and conditions for a GATT accession protocol. This issue is more appropriately handled by our experts in Geneva. Therefore, we cannot agree to the formation of an ad hoc working group on the GATT in the JCCT.

I am hopeful that we will be able to translate the forward progress achieved this year in our trade relationship to the present and future work of the JCCT. By taking visible steps which address the growing trade imbalance and improve China's trade and investment environment, China can begin to build a constructive relationship for the future and underscore the value of the JCCT as a forum for continuing the dialogue on trade and investment issues.

Let us take this opportunity to build on progress achieved in the last year to strengthen further bilateral ties. I look forward to my visit to Beijing and hope that this seventh session of the JCCT is the most productive to date.

Sincerely,



Barbara Hackman Franklin